

Before the
U. S. Senate Committee of Commerce, Science and Transportation

September 15, 1998

Statement concerning the impact of U. S. Coastwise trade laws on the transportation of grain and feed ingredients within the United States.

Mr. Chairman and members of the committee:

My name is William B. Saunders. I am employed by Murphy Family Farms of Rose Hill, North Carolina as Director of Ingredient Procurement and Grain Operations. I am appearing today on behalf of my employer and a coalition of five other eastern North Carolina farming businesses that are engaged in the production of livestock and poultry, which are, as well, members of the much larger Jones Act Reform Coalition. Pork and poultry production in North Carolina generated over 3.67 billion dollars in revenue and provided for over 52,000 jobs in 1997. The six businesses that I represent today involve at least 2,700 family farms that are an integral part of our production systems primarily in North Carolina.

According to figures recently released by The Proexporter Network, a consultant serving railroads, waterways, the grain business and livestock and poultry feeders, North Carolina is a net importer from other corn-producing states within the U. S. of some 400 to 450 million bushels of corn annually for consumption within the state. For perspective, if North Carolina were an independent country importing U.S. corn, we would rank as the second largest importer of U.S. corn in the world trailing only Japan.

Thus far, we have relied upon rail transportation originating in the eastern grain belt states to augment local supplies. We will likely continue to use rail transportation as our primary source of grains and oilseed meals from production areas outside North Carolina. However, as our

demand has increased we increasingly experience the symptoms of overtaxing the capacity of the rail carriers who serve us to consistently deliver high-volume, uninterrupted service year-round. Additionally, realization of the risks inherent in relying too heavily on a single source of dry bulk transportation to feed live animals and poultry is becoming far too real when we have had too many Aclose calls@ within the past several years. We only need to look west of the river in recent months to see the potential magnitude of railroad service problems to which we could become subject on a regular basis. If a situation even remotely similar to that of the western railroads were to occur in the east, it would be devastating to our businesses, the economy of our state and to the nation.

We are convinced that the only other viable transportation route and mode that can practically supply the volumes that we require must include movement via water. Yet, after some five years of diligent effort, the only reasonably competitive cargo that we have been able to procure via water has been foreign cargoes delivered to the port of Wilmington, North Carolina on foreign vessels. This seems illogical to us because we know that the United States is the most efficient and prolific producer of grains and oilseed meals in the world and that our country serves as the world=s repository of supply of these invaluable resources which are fundamental to animal and human survival.

Why can we not access these domestic resources via water competitively? We believe that a major impediment lies within the constraints imposed upon us and others by section 27 of the Merchant Marine Act of 1920, more commonly known as the Jones Act. We believe that fair and reasonable reform of this law is desperately needed to help rebuild a viable, competitive U.S. domestic, coast-wise shipping industry and to enhance the competitive position of ours and other American agricultural producers and businesses.

We believe that lack of competition in the deepwater maritime transportation industry has led to very little understanding of our -- their customer=s --transportation needs. Indeed, Jones Act operators repeatedly and consistently continue to TELL us what we need as well as repeatedly refusing to listen to what WE tell them we need.

They repeatedly infer that they understand our markets and transportation needs better than do we ourselves. This is an inappropriate relationship between a consumer and a seller of transportation services. We believe that transportation exist to serve the needs of customers, not the other way around. We know with certainty that we need the additional capacity and lower prices that would come with a competitive deepwater domestic fleet.

In America we are blessed with abundant natural resources, favorable climate and unmatched productive capacity for producing FOOD. However, these resources exist in disparate quantities and locations within our country and must continue to be connected by a modern, reliable and highly efficient transportation infrastructure which incorporates ALL modes of transport. Without a COASTWISE component in this modern, competitive transportation infrastructure, we believe that we will experience the not so gradual erosion of the economic viability of our existing capital asset base in North Carolina. That erosion would further lead to the economic demise of thousands of our good citizens who depend upon the animal and poultry production industry of North Carolina for their livelihoods.